

THE DIRECTOR OF CENTRAL INTELLIGENCE

NSC Review Completed.

WASHINGTON, D.C. 20505

National Intelligence Council

DDI #0817-82

1 February 1982

MEMORANDUM FOR THE RECORD

SUBJECT: January 29 Meeting of the Poland SIG

1. [] opened the meeting by saying that the Tuesday NSC meeting would probably be limited to the "extraterritoriality" issue on US sanctions with a more general NSC meeting late in the week. He then asked Hormats and Leland to report on the morning meeting of the Cabinet Council on Economic Affairs on the Polish debt. They reported the view that it is most important to press on getting payments, not to let the USSR off of the book on payments, to maintain the threat of default; that if default is called, nothing will be paid. Rescheduling can be used to squeeze them to pay. What we want is to draw hard currency from the East.

2. However, under questioning, they made it clear that they did not anticipate circumstances in which we wouldn't go along with accepting any payment we could get.

3. The question was raised about the participation by US banks in financing credits to the Soviet Union. After asserting that there was no such financing now, Leland admitted that US banks are providing short term commercial credits on grain to the Soviets.

4. On grain generally, Long of Agriculture reported that of the 10.9 million tons of grain ordered by the Soviets, 6.2 million tons had been shipped by the end of January. Also that while the 1980 grain embargo had been somewhat disruptive to the Soviets it had not been very effective; moreover, there is a large supply in the world now.

5. Bailey (NSC) proposed an illustrative set of "intermediate" measures:

- Embargo of fertilizers, pesticides, chemicals; these would have a large effect on the Soviet Union and a small one on us.
- Meaningful alternatives to Yamal (a mention made of Norway).
- The importance of studying allied safeguards and mechanisms for a Polish default and a burden sharing formula.

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6. Hormats mentioned that we have pressed the allies to raise interests rates to the Soviet Union; however, there is a problem with France. He also mentioned the difficulty with the UK on existing contracts for products bought not under license.

Sign

Henry S. Rowen
Chairman

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